

Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2018
[Japanese GAAP] (Consolidated)
English translation from the original Japanese-language document



November 1, 2017

Stock Listing: Tokyo and Nagoya

Name of Listed Company: Hino Motors, Ltd.
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Scheduled Date of Quarterly Financial Statements Filing: November 6, 2017

Scheduled Date of Dividend Payment Start: November 28, 2017

Supplementary materials for the quarterly financial results: Yes

Investor conference for the quarterly financial results: Yes (For Mass Media and Analysts)

(Amounts are rounded down to the nearest one million yen)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2018 (April 1, 2017–September 30, 2017)

(1) Consolidated Financial Results (Cumulative) (% of change from previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2Q of FY 2018	849,977	6.4	34,921	6.2	36,937	15.1	23,001	1.8
2Q of FY 2017	799,112	(6.9)	32,876	(39.3)	32,086	(38.3)	22,597	(39.3)

(Note) Comprehensive income: 2Q of FY 2018: ¥ 32,678 million (278.0%) 2Q of FY 2017: ¥ 8,645 million (-67.1%)

	Profit per share		Diluted profit per share	
	Yen		Yen	
2Q of FY 2018	40.09		40.08	
2Q of FY 2017	39.41		39.38	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
2Q of FY 2018	1,220,875		533,865		39.8	
FY 2017	1,192,385		512,913		39.0	

(Reference) Equity capital: 2Q of FY 2018: ¥486,397million FY 2017: ¥465,289 million

2. Dividends

	Dividends per share				
	1Q	2Q	3Q	Year-end	Annual
	Yen				
FY 2017	—	11.00	—	15.00	26.00
FY 2018	—	13.00			
FY 2018 (forecast)			—	13.00	26.00

(Note) Changes from the latest dividend forecast: None

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(% of change from FY2017.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FY 2018	1,760,000	4.5	75,000	5.4	77,000	6.9	50,000	1.2	87.15

(Note) Changes from the latest financial forecast: Yes

*Notes

(1) Changes in significant subsidiaries (changes of specified subsidiaries resulting in changes in scope of consolidation) during the current term: None

(2) Application of the accounting procedures for producing quarterly consolidated financial statements: None

(3) Changes in accounting policies, accounting estimates and restatements:

1) Changes in accounting policies due to revisions of accounting standards: None

2) Changes in accounting policies due to reasons other than above 1): None

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of outstanding shares (common stock)

1) Number of outstanding shares (including treasury stock) at end of term	2Q of FY 2018	574,580,850 shares	FY 2017	574,580,850 shares
2) Number of treasury stock at end of term	2Q of FY 2018	842,796 shares	FY 2017	903,739 shares
3) Average number of shares (quarterly consolidated cumulative period)	2Q of FY 2018	573,716,656 shares	2Q of FY 2017	573,454,134 shares

*Summary of financial results is out of scope of audit.

*Statement regarding the proper use of financial forecasts and other remarks

- Descriptions regarding the future, including the financial projections contained in this report, are based on certain assumptions currently available to the Company, which are, at the discretion of the Company, deemed reasonable, and the Company gives no guarantees that it will achieve these results. In addition, actual financial results may significantly vary due to various factors.

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1 Qualitative Information Regarding the Financial Performance for the Current Quarter

(1) Information on Consolidated Operating Results

As for the Japanese domestic truck market during the current second quarter (six months), the total demand for heavy- and medium-duty trucks decreased to 45.5 thousand units by 0.3 thousand units (-0.6%) compared to the same quarter in the previous year. On the other hand, total demand for light-duty truck increased to 48.9 thousand units by 0.2 thousand units (0.3%) compared to the same quarter in the previous year. In sum, the total demand for heavy-, medium-, and light-duty trucks remained on a par with the previous year's level.

As for Japanese domestic sales, as a result of sales activities implemented in a concerted effort in our consolidated group, the total sales volume of heavy-, medium-, and light-duty trucks and buses increased to 31.4 thousand units by 0.5 thousand units (1.7%) compared to the same quarter in the previous year.

As for overseas sales, thanks to the favorable sales in Asia and North America, etc., sales volume of overseas trucks and buses increased to 54.0 thousand units by 3.6 thousand units (7.1%) compared to the same quarter in the previous year.

As a result of the above, total unit sales of Hino Brand trucks and buses increased to 85.4 thousand units by 4.1 thousand units (5.1%) compared to the same quarter in the previous year.

As for the volume of sales to Toyota Motor Corporation, mainly because the sales of SUV decreased, total sales volume decreased to 68.4 thousand units by 2.7 thousand units (-3.8%) compared to the same quarter in the previous year.

As a result of the above, net sales in the current second quarter were ¥849,977 million, which is an increase of ¥50,864 million (6.4%) as compared to the same quarter in the previous year. As for profit and loss, due mainly to an increase in the domestic and overseas unit sales, operating income was ¥34,921 million which is an increase of ¥2,044 million (6.2%) compared to the same quarter in the previous year, ordinary income was ¥36,937 million which is an increase of ¥4,850 million (15.1%) compared to the same quarter in the previous year, and profit attributable to owners of parent was ¥23,001 million which is an increase of ¥404 million (1.8%) compared to the same quarter in the previous year.

(2) Information on Consolidated Financial Position

Total assets at the end of the second quarter increased by ¥28,489 million to ¥1,220,875 million compared to the end of the previous fiscal year. This is mainly because inventories increased by ¥20,597 million and investment securities increased by ¥8,387 million.

Liabilities increased by ¥7,537 million to ¥687,009 million compared to the end of the previous fiscal year. This is mainly because interest-bearing debt increased by ¥11,248 million and income taxes payable increased by ¥3,189 million, although accounts payable - other decreased by ¥8,887 million.

Net assets increased by ¥20,952 million to ¥533,865 million compared to the end of the previous fiscal year. This is mainly because profit attributable to owners of parent of ¥23,001 million was recorded, although dividends from retained earnings of ¥8,607 million were paid.

(3) Information on Forecasts of Consolidated Financial Results

As for the truck and bus market in Japan, it is expected to remain strong. As for the overseas truck and bus markets, a favorable business environment is expected to continue in Asia, particularly Indonesia which is the key market for our company.

Then, the full-year earnings forecast has been revised as follows, while considering the changes in the business environment, including the sales in domestic and overseas markets, etc.

(Consolidated Earnings Forecast for the Full Fiscal Year)

Net sales	¥1,760,000 million
Operating income	¥75,000 million
Japan unit sales of trucks and buses	67.0 thousand units
Overseas unit sales of trucks and buses.....	118.0 thousand units
Unit sales of Toyota brand vehicles.....	146.8 thousand units

* The above forecasts are created based on the information available to the company and on certain assumptions deemed reasonable, and are not guaranteed to be achieved.

2. Quarterly Consolidated Financial Statements and Major Notes**(1) Quarterly Consolidated Balance Sheets**

(Millions of yen)

	FY 2017 (As of March 31, 2017)	Second Quarter of FY 2018 (As of September 30, 2017)
Assets		
Current assets		
Cash and deposits	32,145	37,004
Notes and accounts receivable - trade	315,221	309,651
Merchandise and finished goods	136,841	151,458
Work in process	32,454	36,344
Raw materials and supplies	34,302	36,392
Other	70,523	74,623
Allowance for doubtful accounts	(3,433)	(3,448)
Total current assets	618,056	642,026
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	143,964	144,172
Machinery, equipment and vehicles, net	117,933	115,721
Land	115,122	118,072
Other	48,055	45,177
Total property, plant and equipment	425,076	423,143
Intangible assets	21,210	19,788
Investments and other assets		
Investment securities	111,230	119,617
Other	19,578	19,114
Allowance for doubtful accounts	(2,766)	(2,815)
Total investments and other assets	128,042	135,917
Total non-current assets	574,328	578,848
Total assets	1,192,385	1,220,875
Liabilities		
Current liabilities		
Notes and accounts payable - trade	265,306	263,773
Short-term loans payable	85,468	156,174
Commercial papers	59,000	—
Current portion of long-term loans payable	11,204	14,664
Income taxes payable	6,725	9,915
Provision for product warranties	34,278	37,384
Other provision	6,845	6,038
Other	92,308	82,380
Total current liabilities	561,136	570,330
Non-current liabilities		
Long-term loans payable	18,063	14,145
Net defined benefit liability	58,183	58,256
Other provision	1,928	1,804
Other	40,160	42,472
Total non-current liabilities	118,335	116,678
Total liabilities	679,471	687,009

(Millions of yen)

	FY 2017 (As of March 31, 2017)	Second Quarter of FY 2018 (As of September 30, 2017)
Net assets		
Shareholders' equity		
Capital stock	72,717	72,717
Capital surplus	66,129	66,208
Retained earnings	302,781	317,098
Treasury shares	(330)	(307)
Total shareholders' equity	441,297	455,717
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	40,774	45,874
Deferred gains or losses on hedges	(13)	(137)
Revaluation reserve for land	2,318	2,318
Foreign currency translation adjustment	(7,232)	(6,106)
Remeasurements of defined benefit plans	(11,855)	(11,268)
Total accumulated other comprehensive income	23,992	30,680
Subscription rights to shares	53	43
Non-controlling interests	47,570	47,423
Total net assets	512,913	533,865
Total liabilities and net assets	1,192,385	1,220,875

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

[Quarterly Consolidated Statements of Income]

[Consolidated Second Quarter of FY 2018 and FY 2017 (Cumulative)]

(Millions of yen)

	Second Quarter of FY 2017 (From April 1, 2016 to September 30, 2016)	Second Quarter of FY 2018 (From April 1, 2017 to September 30, 2017)
Net sales	799,122	849,977
Cost of sales	671,142	711,432
Gross profit	127,969	138,544
Selling, general and administrative expenses		
Salary and allowances	22,297	23,019
Provision for bonuses	2,815	2,961
Retirement benefit expenses	1,623	1,590
Other	68,356	76,051
Total selling, general and administrative expenses	95,093	103,622
Operating income	32,876	34,921
Non-operating income		
Interest income	509	683
Dividend income	2,282	1,773
Foreign exchange gains	—	711
Share of profit of entities accounted for using equity method	750	732
Miscellaneous income	1,382	1,465
Total non-operating income	4,925	5,366
Non-operating expenses		
Interest expenses	2,386	2,432
Foreign exchange losses	2,235	—
Miscellaneous expenses	1,093	917
Total non-operating expenses	5,715	3,350
Ordinary income	32,086	36,937
Extraordinary income		
Gain on sales of non-current assets	62	91
Gain on sales of investment securities	806	2,605
Other	45	11
Total extraordinary income	914	2,707
Extraordinary losses		
Loss on sales and retirement of non-current assets	144	203
Special costs of quality-related measures	—	1,510
Other	294	60
Total extraordinary losses	439	1,774
Profit before income taxes	32,562	37,869
Income taxes—current	9,029	12,922
Income taxes—deferred	(1,848)	(989)
Total income taxes	7,181	11,933
Profit	25,380	25,936
Profit attributable to non-controlling interests	2,783	2,934
Profit attributable to owners of parent	22,597	23,001

[Quarterly Consolidated Statements of Comprehensive Income]

[Consolidated Second Quarter of FY 2018 and FY 2017 (Cumulative)]

(Millions of yen)

	Second Quarter of FY 2017 (From April 1, 2016 to September 30, 2016)	Second Quarter of FY 2018 (From April 1, 2017 to September 30, 2017)
Profit	25,380	25,936
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,606)	3,851
Deferred gains or losses on hedges	6	(197)
Foreign currency translation adjustment	(13,565)	1,122
Remeasurements of defined benefit plans	589	559
Share of other comprehensive income of entities accounted for using equity method	(1,158)	1,405
Total other comprehensive income	(16,734)	6,741
Comprehensive income	8,645	32,678
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	9,793	29,690
Comprehensive income attributable to non-controlling interests	(1,147)	2,987

(3) Notes to Consolidated Financial Statements

Notes on Going Concern Assumption

None.

Notes on Significant Changes in the Amount of Shareholders' Equity

None.

3. Supplementary Information**(1) Actual Production (Consolidated)**

Category	2Q of FY 2017 (From April 1, 2016 to September 30, 2016)	2Q of FY 2018 (From April 1, 2017 to September 30, 2017)	Change
Trucks and buses	84,804 units	88,697 units	3,893 units
Toyota brand vehicles	71,297 units	68,610 units	(2,687) units

(2) Actual Sales (Consolidated)

Category	2Q of FY 2017 (From April 1, 2016 to September 30, 2016)		2Q of FY 2018 (From April 1, 2017 to September 30, 2017)		Change	
	Volume (Units)	Amount (Millions of yen)	Volume (Units)	Amount (Millions of yen)	Volume (Units)	Amount (Millions of yen)
Japan	30,875	224,349	31,404	228,656	529	4,307
Overseas	50,464	197,124	54,045	230,969	3,581	33,844
Supplies and parts for overseas production	—	519	—	688	—	169
Total trucks and buses	81,339	421,993	85,449	460,314	4,110	38,321
Total Toyota brand vehicles	71,121	158,874	68,436	150,287	(2,685)	(8,586)
Japan	—	29,855	—	30,346	—	490
Overseas	—	22,239	—	25,725	—	3,485
Total service parts	—	52,095	—	56,071	—	3,976
Japan	—	81,967	—	89,072	—	7,104
Overseas	—	6,611	—	9,670	—	3,058
Toyota	—	77,570	—	84,559	—	6,989
Total others	—	166,149	—	183,302	—	17,152
Total net sales	—	799,112	—	849,977	—	50,864

(Note) Amounts are rounded down to the nearest one million yen.